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## ADAP

DATE: December 7, 2005

TO: INTERESTED PARTIES

SUBJECT: IMPLICATIONS OF MEDICARE PART D FOR ADAP CLIENTS IN CALIFORNIA

As many of you are aware, a major change to the health care system will take place on January 1, 2006, when the Medicare Program introduces a new outpatient prescription drug benefit, Medicare Part D. If you are an ADAP client who receives Medicare, this letter will give you information regarding Medicare and ADAP and your responsibilities as an ADAP client. It is a complicated and confusing benefit, so it will take some time and effort to understand what it means to you. If you do not receive Medicare, this letter does not apply to you, and your ADAP benefit will continue as long as you remain eligible for the program.

Medicare is the national health insurance program for:

- People age 65 and older.
- Some people under age 65 with disabilities.
- Some people with end-stage renal disease.

**If you are eligible for Medicare and wish to continue to receive your ADAP prescription drug coverage benefits, you must enroll into a Medicare Part D prescription drug plan, or provide documentation of creditable coverage (e.g., private insurance prescription benefit) that is comparable to Medicare Part D.** It is critical that ADAP clients with Medicare understand how Part D will impact you, ADAP and the health care system that serves you.

ADAP will be able to help you cover some of the out-of-pocket costs that come with Medicare Part D, but there are some steps you must take to make sure that happens.

1. If you have private insurance coverage now that provides prescription benefits, that insurance company should have sent you a letter in November 2005 that says whether or not the coverage you have is as good as or better than Medicare Part D (“creditable coverage”). This letter must be provided to your ADAP enrollment worker, to ensure that your ADAP coverage continues.
2. If you do not have private health insurance, and you receive Medicare, your income and assets will determine what happens next.
  - a. Medicare has a low-income subsidy, or “extra help” available for Medicare beneficiaries with incomes below a certain amount. You should have received letters from Medicare explaining what you must do to apply for this “extra help.” **To enable ADAP to help you with any Medicare Part D costs, you must apply for this “extra help,” or bring in proof to your ADAP enrollment site that your income and assets are too high to qualify.** Your ADAP enrollment worker or case manager may be able to help you apply for this “extra help,” or you can fill out the one page application on-line at [www.SocialSecurity.gov](http://www.SocialSecurity.gov), or call 1 (800) 772-1213.
  - b. If you have both Medi-Cal and Medicare, you will be automatically enrolled in the full low-income subsidy, or “extra help” program. You will also be assigned a new Part D drug plan. The plan is randomly selected, so it may or may not be the best plan for you. We advise you to check out the coverage you will receive and compare it with other plans, or talk with your case manager about assisting you with changing plans. There will be a one to five dollar co-pay for each formulary prescription you receive, but ADAP may be able to cover that for you if you tell your pharmacist that you have ADAP.
3. Next, you must select a Medicare prescription drug plan from the 40 or so available in California. You can do this by phone at 1 (800) MEDICARE [1 (800) 633-4227] or on-line at [www.medicare.gov](http://www.medicare.gov), or ask a case manager to help you. It is important to pick a plan that uses a pharmacy you like, and that includes the drugs you need. Plans may have monthly premiums, deductibles, and may pay only a part of your drug costs up to a certain amount, so it is important to choose carefully.

When you go into your pharmacy in January 2006, tell the pharmacist which Medicare Part D drug plan you signed up for, and that you also have ADAP. ADAP will be able to help cover co-pays, the annual deductible, and “co-insurance” (the share of a drug’s cost that Medicare will not pay). **ADAP will not be able to pay monthly Medicare Part D premiums, so you will need to select a drug plan that you can afford.**

In December 2005, Medicare will tell ADAP which of our clients also have Medicare, so we will be sending another letter to ADAP clients with Medicare that may answer some of your questions. In the meantime, please use the enclosed information and resources to educate yourself about the new drug benefit, and contact your local case manager or ADAP enrollment site for assistance. We will keep you posted as we learn more about how Medicare Part D will work.

We are pleased to be able to help cover some of the "out-of-pocket" costs for Medicare recipients who are also in ADAP, and we recognize how complicated this new benefit is. There are resources available in California to help you understand the Medicare drug plans and select one that will work for you, and we urge you to use those resources.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen Russell". The signature is fluid and cursive, with the first name "Kathleen" and last name "Russell" clearly distinguishable.

Kathleen Russell, Chief  
ADAP Section

Enclosure

## Medicare Part D

The following is a brief overview of how California's ADAP plans to assist clients in filling some of the gaps in their Part D coverage.

- **Part D Deductibles, Co-Payments, and Co-Insurance:**

Federal and State requirements mandate that Medicare-eligible beneficiaries use their Part D coverage before being permitted to access ADAP coverage. California's ADAP will assist in filling gaps in Part D coverage by paying towards certain beneficiary out-of-pocket costs. Specifically, ADAP will pay the costs associated with Part D prescription deductibles, co-insurance, and co-payments for medications on the ADAP formulary. If a Part D prescription drug plan does not cover/denies you access to a drug that is on the ADAP formulary, ADAP may also cover the cost of providing you that prescription. However, documented denial will be required.

**You Must Apply for Your Medicare Part D benefit by March 31, 2006:**

If you have Medicare, you are eligible for Part D prescription benefits effective January 1, 2006. You must apply for Medicare Part D or provide ADAP with documentation of creditable coverage (e.g., private insurance with a prescription benefit comparable to Part D) no later than March 31, 2006. Effective January 1, 2006, ADAP will allow 30-day prescription supplies of drugs to be dispensed to Medicare-eligible ADAP clients but these will require a prior authorization. If you do not enroll in Medicare Part D/document creditable coverage by March 31, 2006, your ADAP eligibility will be terminated.

- **Part D Premiums:**

**ADAP will not cover the cost of a Medicare beneficiary's monthly Part D premium.**

Medicare beneficiaries with income over 135 percent Federal Poverty Level (FPL) (\$12,920 for a single person) and/or assets over \$10,000 per individual/\$20,000 per couple, may have a Part D monthly premium. In California in 2006, Part D premiums will average \$23.25 per month. There are several "low" and "zero" premium plan options available in California.

You must maintain your Part D coverage by paying your premiums monthly. If you allow your Part D coverage to lapse, ADAP cannot pay for your prescription drugs.

**Low-Income Subsidy or "Extra Help."** Persons/couples with income between 135-150 percent FPL (\$12,920 to \$14,355 for singles, \$17,321 to \$19,250 for couples) and assets under \$10,000/\$20,000 who apply for a Part D subsidy will pay reduced premiums based on a sliding scale. ADAP clients who qualify for the low-income subsidy will be **required to apply**. Please note: Persons who have Medicare *and* Medi-Cal with *no* Share of Cost (SOC) are deemed eligible for this benefit, and will be automatically enrolled in the Low-Income Subsidy.

- **Part D True-Out-Of-Pocket (TrOOP) "Donut Hole" Drug Costs:**

Because the federal Centers for Medicare and Medicaid Services has specifically excluded ADAP payments as counting toward beneficiaries' Part D TrOOP drug

costs, any payment made by ADAP on a beneficiary's behalf will not be credited as TrOOP. Because ADAP payments will not count towards TrOOP, it is anticipated that some beneficiaries will need to utilize full ADAP coverage once they encounter the gap in Part D coverage where the beneficiary assumes 100 percent of their drug costs (also referred to as "the donut hole"). In other words, once the client hits their "donut hole," ADAP will take over covering the cost of drugs on the ADAP drug formulary.

- **ADAP clients with Medicare *and* Medi-Cal with a SOC:**

ADAP has historically helped clients meet their monthly Medi-Cal SOC by paying the cost of ADAP formulary drugs up to the SOC amount. This system helped ensure that Medi-Cal beneficiaries were able to access their medications at little or no cost, and also provided the individual the ability to access the rest of their Medi-Cal health care services at no cost. In January 2006, the system of using ADAP to meet the Medi-Cal SOC will change dramatically. As of January 1, 2006, persons "dually eligible" for Medicare and Medi-Cal will no longer receive drug coverage under Medi-Cal. These "dual eligibles," as they are called, will access drug coverage under Medicare Part D, which means that there will be no Medi-Cal prescription drug cost to allow ADAP's payment toward the SOC. Thus, dual eligibles will be required to pay their own SOC before Medi-Cal will cover the cost of medical services each month. However, ADAP will cover their Medicare Part D co-payments, thus eliminating these out-of-pocket medication costs.

It is **important to note** that you may not have to meet your Medi-Cal SOC every month. This is because monthly prescription drug coverage will be provided under Medicare Part D and Medicare is the primary payer for dual eligibles. Because the Medi-Cal coverage will become the secondary payer, beneficiaries will only be charged their Medi-Cal SOC when Medicare does not cover/partially covers the full cost of a service. For example, a dual eligible client may need to use Medi-Cal to cover 20 percent of the cost of a doctor's visit (Medicare pays 80 percent), or the full cost of dental or vision care services (not covered under Medicare).

Also, it is important to note that the above change only applies to dual eligible beneficiaries. **ADAP can continue to cover Medi-Cal SOC for clients who are not eligible for Medicare.**

As you can see, Medicare Part D is a complicated benefit that will have significant implications for Medicare beneficiaries. OA has been working closely with advocacy organizations statewide to provide the most current, accurate information possible to assist you in your application and transition to Medicare Part D. For additional Medicare Part D information, you may contact the following:

ADAP Information Resources – [www.dhs.ca.gov](http://www.dhs.ca.gov).

Ramsell-PHSB at 1 (888) 311-7632 or [www.ramsellcorp.com](http://www.ramsellcorp.com).

Medicare Information Resources – Center for Medicare and Medicaid Services at 1 (800) MEDICARE [(800) 633-4227] or [www.medicare.gov](http://www.medicare.gov).

Project Inform – [www.projectinform.org/tan/ppt/medicare\\_cal\\_getready.html](http://www.projectinform.org/tan/ppt/medicare_cal_getready.html).

Brochures (English and Spanish) – [www.projectinform.org/org/medicare/partd.html](http://www.projectinform.org/org/medicare/partd.html).

- Medicare Only Beneficiaries.
- Beneficiaries with both Medicare and Medi-Cal.
- Low-Income Beneficiaries.

ADAP is currently developing a document that compiles answers to the most commonly asked questions regarding Medicare Part D and ADAP. This document will be available on the OA Website and the Ramsell Website, as well as through your local ADAP enrollment site.

bcc: Michael Montgomery  
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